

Re-Inventing a Venerable Trust

Many companies may be pondering how to re-invent themselves to pursue new opportunities, but probably few are doing it to the extent that the more than the century-old, Honolulu-based Estate of James Campbell is. Nor would they be doing it with an infusion of \$645 million in capital, as this trust has secured.

The Estate's trust form of ownership ends in 2007 and the financing is a major step in the company's transition to a national real estate operating company called the James Campbell Company LLC. The funds will be used for working capital, refinancing debt and to provide a portion of the cash needs in 2007. The majority of the trust's heirs will become shareholders in the successor company.

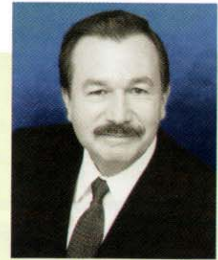
The Estate is currently directed by four trustees appointed by the Circuit Court of Hawaii, as stipulated by James Campbell's will. These trustees will continue to oversee and make the Estate's major policy decisions until 2007. The James Campbell Company LLC was formed in July 2004. Under the transition plan, the Estate's beneficiaries will begin the process of selecting a board of directors in 2006.

Steve MacMillan, Campbell Estate CEO, explained that the three key components of the company's business strategy are: stable income from institutional-quality industrial and office assets; income growth through conversion of low-yielding assets through 1031 exchanges to institutional quality assets; and value-added investments for value growth.

The Estate's and its affiliates' assets are valued at more than \$2 billion; 55 percent of the trust's holdings are outside of Hawaii, with office, retail and industrial properties in 17 states and in Washington, DC. In all, the portfolio consists of 59 properties, including office, industrial, retail and other properties in land, ground leases, agriculture and conservation. The Estate was recognized as NAIOP's 1998 Developer of the Year.

"We are looking for Class A properties," MacMillan said. "That's the most competitive tier. We are probably bidding against 20 others for any acquisition." He also noted that the trust is taking advantage of the current investment climate on the sell-side. As for the high pricing, he said, "I keep predicting it's got to end, but it doesn't seem to be."

The trust examined such alternatives as becoming a corporation or a REIT, but the clear preference was to become a relatively closely-held limited liability corporation, he said. One thing that will not change: the company will remain headquartered in Hawaii. ■



Steve MacMillan